

THE AMERICAN RECOVERY AND INVESTMENT ACT

On Tuesday, February 17, 2009, President Obama signed into law H.R. 1, the American Recovery and Investment Act, totaling \$787 billion in new spending and tax provisions.

Specific provisions of the legislation include:

- **COBRA Subsidy:** Provides a 65% federal subsidy to laid off individuals electing COBRA continuation coverage from their former employers. The subsidy will extend for up to nine months, limiting eligibility to individuals with adjusted gross incomes of under \$145,000 and families with incomes of under \$290,000.
- **Payments to Recipients of Social Security, SSI, Railroad Retirement and Veterans:** Provides a one-time payment of \$250 for retirees, disabled individuals and SSI recipients. This provision is effective for 2009 only.
- **Unemployment Insurance Extension:** Extends the current extension of unemployment insurance (UI), which is scheduled to expire on March 31, 2009, through December 31, 2009.
- **Roads and Bridges:** Provides states \$47 billion (5.9% of total stimulus) for transportation infrastructure and \$27.5 billion (3.4% of total stimulus) for highway construction. *Florida receives \$1.66 billion in total transportation funds.*
- **State Stabilization Fund:** Provides \$53.6 billion for "State Fiscal Stabilization Fund," which will be distributed to States based on total population and school-aged population. The majority of the funds will be used to support public elementary, secondary, and higher education. *Florida is currently not eligible to receive allotted \$2.7 billion due to the Maintenance of Effort (MOE) provision in the bill. Under the MOE provision, a state must meet be funding K-12 and higher education funding at no less than FY2006 funding levels. Currently, Florida falls \$600 million short of reaching this level because it has 30,000 fewer students than in 2006, and therefore the funding is forfeited unless U.S. Secretary of Education Arne Duncan grants the state a waiver.*
- **Medicaid Assistance to States:** Includes a compromise between the House and Senate formula for the \$87 billion increase in the federal Medicaid match, whereby approximately 65% of the increase is provided on an across-the-board basis, with the remaining 35% allocated to states experiencing high unemployment. *For Medicaid FMAP funding, Florida receives \$1.85 billion for FY2009 and \$2.5 billion for FY2010/2011.*

TAX PROVISIONS

"Making Work Pay" Tax Credit: Provides a tax credit for individuals who make less than \$95,000 of up to \$400 for 2009 and 2010; couples are eligible for \$800. The credit is phased out for individuals making more than \$95,000 and couples making more than \$180,000. Workers who do not make enough money to pay income taxes will get checks from the government when they file their 2009 tax returns.

AMT: Provides a one-year extension of the "AMT patch," a \$70,950 AMT exemption amount for married couples in 2009, and a \$46,700 exemption amount for singles.

Extension of Enhanced Small Business Expensing: In 2008, small businesses were able to write-off up to \$250,000 in capital expenditures at a phase-out threshold of \$800,000. H.R. 1 would extend this provision to 2009.

First-Time Homebuyer Tax Credit: Expands the current \$7,500 tax credit for first-time homebuyers, raising the maximum tax credit to \$8,000. The tax credit is available for qualified first-time home buyers purchasing a principal residence on or after January 1, 2009 and before December 1, 2009. The legislation also removes a provision that requires the credit to be repaid over time.

Renewable Energy Production Tax Credit: Extends the renewable energy tax credit for wind facilities through 2012 (a three-year extension). The bill extends the tax credit for closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities through 2013 (a three-year extension).

College Tax Credit: Creates the American Opportunity Tax Credit, which gives tax credits to students and parents for the cost of post-secondary tuition and expenses. The conference report provides \$2,500 in tax credits per student and in 2009 and 2010. 40% of this tax credit would be refundable.

Child Tax Credit: Temporarily expands eligibility for the child tax credit by lowering the \$8,500 earnings floor to \$3,000. Under current law, the child tax credit is refundable up to 15% of a taxpayer's earnings above \$8,500.

STIMULUS CONCERNS

» The legislation increases the national debt limit by \$787 billion, from \$11.315 trillion to \$12.104 trillion. This will be the fourth increase in the debt limit since September, 2007. During this period, just 17 months, the debt limit has increased by \$3.139 trillion or 35%.

» Of the \$787 billion increase to the deficit that this legislation would cause, only 27% (or \$212 billion) is attributable to revenue reductions—the other 73% is all spending increases.

» The nonpartisan Congressional Budget Office (CBO) projects that the “stimulus” bill will lower economic growth by between 0.1% and 0.3% within a decade. In fact, CBO estimates suggest that the government’s interest costs for the \$787 billion conference report would amount to more than \$300 billion over the 2009-2019 period. This means that the total cost of the legislation over the next ten years is likely to equal \$1.1 trillion.

» A total cost of \$1.1 trillion for the “stimulus” (\$787 billion for the legislation plus at least \$300 billion in debt service to pay for it) amounts to a per-family cost of at least \$9,418 in new spending/debt.

» The text of the final conference report for the “stimulus” – totaling 1,073 pages – was made available with less than 14 hours prior to the Floor vote and less than 10 hours to review prior to start of floor debate. This also ignores the fact that just 3 days earlier, the House unanimously approved a resolution promising a 48-hour public notice before holding a vote on the final “stimulus bill,” as well as posting the legislation on the Internet.

SAMPLING OF PROJECTS INCLUDED IN THE STIMULUS PACKAGE

\$50 million for the National Endowment for the Arts.

\$2 billion for the Neighborhood Stabilization Fund, providing funds to organizations such as ACORN, which has been accused of practicing unlawful voter registration in recent elections.

\$10 million for the inspection of canals in urban areas.

\$100 million for grants to small shipyards.

\$300 million for the Energy Efficient Appliance Rebate Programs.

\$2 billion to support the manufacturing of advanced vehicle batteries.

\$1.3 billion for Amtrak, including \$450 million for a new rail security grant program not included in either the House passed or the Senate-passed bills.

\$300 million for federal procurement of plug-in and fuel efficient vehicles.

\$8 billion for a High Speed Passenger Rail Program, after the House did not include any funding for the program and the Senate included \$2 billion, which will fund at least one project from Las Vegas to Los Angeles.

\$170 million for the National Oceanic and Atmospheric Administration to research the causes, effects, and ways to mitigate climate change.

\$200 million for Americorps and other paid “volunteerism” programs.

\$400 million for NASA to accelerate climate research missions.

\$5.5 billion for federal buildings (GSA), including \$4.5 billion to convert federal buildings into “high-performance green buildings” and \$450 million for a new headquarters for the Department of Homeland Security.

\$210 million for a new grant program to modify and upgrade local fire stations.

\$142 million for the Coast Guard to alter or remove 4 obstructive bridges.

\$25 million for the Smithsonian Institution for maintenance backlogs.

\$1 billion for expenses in conjunction with the 2010 decennial census.

\$650 million for Digital-to-Analog Converter Box Coupons.

\$1 billion for a Prevention and Wellness Fund, which can be used for sexually transmitted disease (STD) education and prevention programs at the CDC.

\$500 million to replace a 30-year old computer system at the Social Security Administration.

\$500 million for a health professions training program—funding which an earlier committee report said were allocated because “a key component of attaining universal health care reform will be ensuring the supply of primary care providers.”